



# **City of National City**

## **Finance and Planning Retreat**

**March 21, 2009**

# AGENDA

- 9 am Call to Order – Mayor & City Council  
Overview – City Manager
- 9:15 Finance Presentation – Finance Director
- 10am Planning – Executive Director
- Break
- 10:30 Service Reports - Assistant City Manager
- 11am Public Comment
- Noon - 12:30 Lunch
- 12:30 City Council Discussion and Direction

# CITY MANAGER OVERVIEW

GOAL: Revisit, evaluate and set priorities

GOAL: Fiscal update and clarity

GOAL: Hear citizen, business, health care,  
school & regional thoughts

GOAL: Integrate and understand plan  
timelines and costs

# PROGRESS REPORT

**What you've done with community, business,  
schools & organization:**

- Public Safety
- Infrastructure
- Quality of Life
- Image
- Community Engagement
- Fiscal Sustainability

# PROGRESS REPORT

- District Tax – meeting projections and segregated
- Financial Stewardship – New development /department savings have built reserve
- Housing stock upgrades – market rate, senior, single family, affordable
- Significant leveraging – grants, private investment
- Maintained a stable workforce to provide services & carry out Council direction
- Boards & Commissions doing their duty
- Seniors & Youth

# PRIORITIES – CURRENT

- Financial Monitoring & Projections – short and long term
- City Manager's Office Department Savings Requests
- Cost Containment & Efficiency
- Revenue Generation - Diversify
- Consolidation of organization/Coordination of planning efforts

# PRIORITIES – CURRENT

- Legislative Program Development
- Event planning and city responsibilities
- Local and regional Board and Commission placements
- Water Conservation
- Retention of Quality Workforce/Organizational Development/Labor Negotiations

# PRIORITIES – CURRENT

- Retool Capital Improvement Program
- Resource/grants gathering and preparation
- Neighborhood and environmental cleanup
- Service level sustainability and financial impact analysis
- Customer Service – Citizen & Community communication



# HEADLINES REVEAL SEVERITY OF ECONOMIC DECLINE

## Global

### **Toyota predicts first loss since 1938**

Decline is latest blow to global auto industry

## National

### **Profit at Best Buy plummets 77%**

Electronics chain offers buyouts to about 4,000 corporate employees

As people spend less, jobs are cut

Unemployment rate likely to go up significantly

## State

### **Governor orders job cuts, days off**

**Funding is frozen for public projects**

**CalPERS watches vast land holdings plummet in value**

## Non-profit

### **Initiative will assist struggling charities**

## Local

**San Diego budget woes pale to some other cities'**

Municipalities hamstrung as costs rise, revenue falls

**La Mesa, El Cajon voters face trio of tax proposals**

# CHALLENGES

- Circuit City Closure
- Mervyn's Closure
- Loss of Costco Project
- Loss of Home Depot Project
- Government Conditions - San Diego, San Diego County, Chula Vista, Escondido, Vista

# LOCAL IMPACT OF AN ECONOMY IN CRISIS



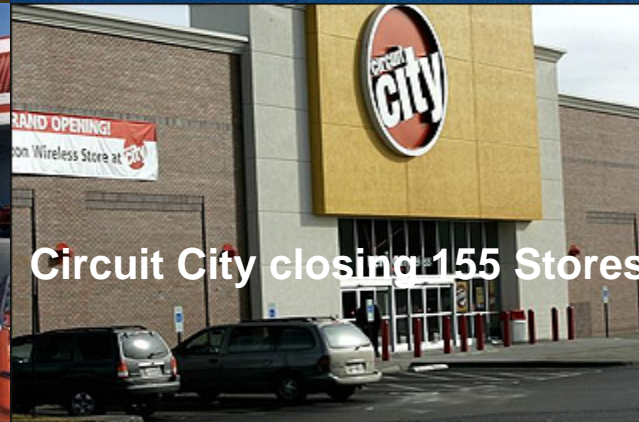
Macy's cutting 7000 jobs



Mervyn's Closed



Home Depot to cut 7000  
Jobs, close Expo



Circuit City closing 155 Stores

# LOCAL IMPACT

## San Diego Set to Sue State

**Monday Feb 16, 2009 | NBCSanDiego.com**

San Diego -- and dozens of other counties -- are expected to sue the state of California



## Nine Sinking Cities

**Wednesday Jan 21, 2009 | San Diego Reader**

This month and in early February, city managers and finance directors in cities across San Diego County are appearing before their respective city councils to report significant budget deficits.



## Budget Woes Plague Cities Across County

**Friday Nov 21, 2008 | NBCSanDiego.com**

The city of San Diego's budget deficit has been well publicized. But what about other cities in the county? How hard have they been hit by the economic downturn?



# CHALLENGES

- National Impacts to local Employment
- Sales Tax and Business diversity
- New and Continual State Raids - \$1,067,000 this year – potentially ongoing at 10% (tax increment funds)
- PERS two year lag – rate increases FY 11/12

# CHALLENGES

- Health Care Costs
- Operating dollars for new facilities & restoration of older facilities
- Monitor foreclosure properties while seeking resources to prevent foreclosures
- Non-profits and City sponsored events

# OPPORTUNITIES

- Work with Chamber of Commerce, Business Improvement Districts, Port of San Diego
- Strengthen Partnerships – Schools, Business, Automotive Industry
- Stimulus Package Readiness
- Aesthetics & Brand Integration – Gateways, Signage, Bridges



# OPPORTUNITIES

## Development Focus

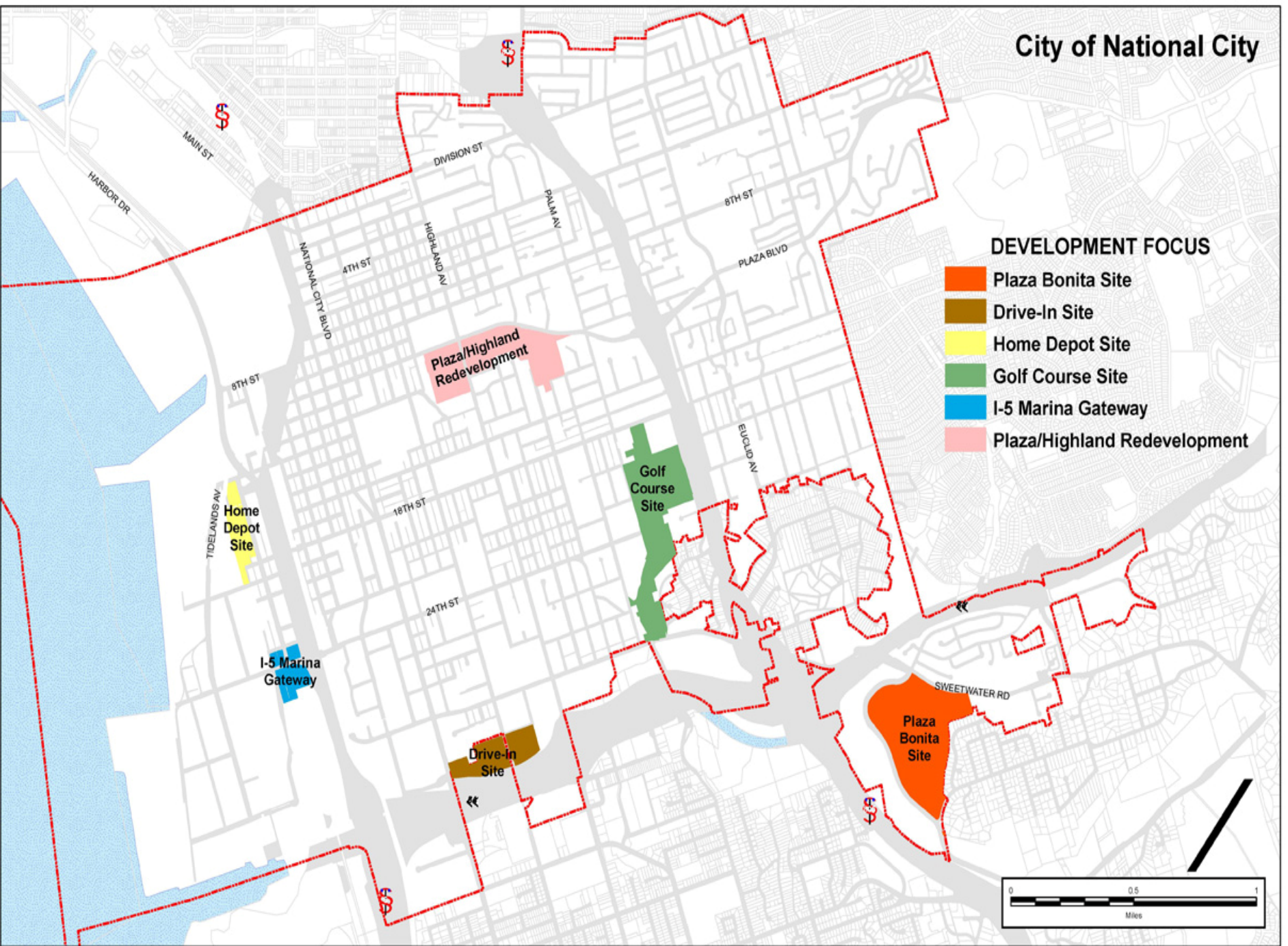
- Plaza Bonita Site
- Drive-In Site
- Home Depot Site
- Golf Course Site
- I-5 Marina Gateway
- Plaza/Highland Redevelopment



# City of National City

## DEVELOPMENT FOCUS

- Plaza Bonita Site
- Drive-In Site
- Home Depot Site
- Golf Course Site
- I-5 Marina Gateway
- Plaza/Highland Redevelopment



# OPPORTUNITIES

## Plan Completion & Integration

- General Plan Update
- Redevelopment Plan Amendment
- Westside Specific Plan
- Transportation Plan
- Capital Improvement Plan
- Facility & Open Space Plan
- Public Safety Plan

# FINANCIAL OUTLOOK

# FISCAL OVERVIEW

- Strong financial condition in a challenging financial environment
  - Clean financial audits
  - Standard & Poors Rating remains = A-
  - Continuous review of operating costs & seeking revenue enhancements
  - Limited Debt
  - Reserves projected @ \$7.5 million which is 19% contingency reserve policy (25% - 50%)

# 5 LARGEST REVENUE CATEGORIES

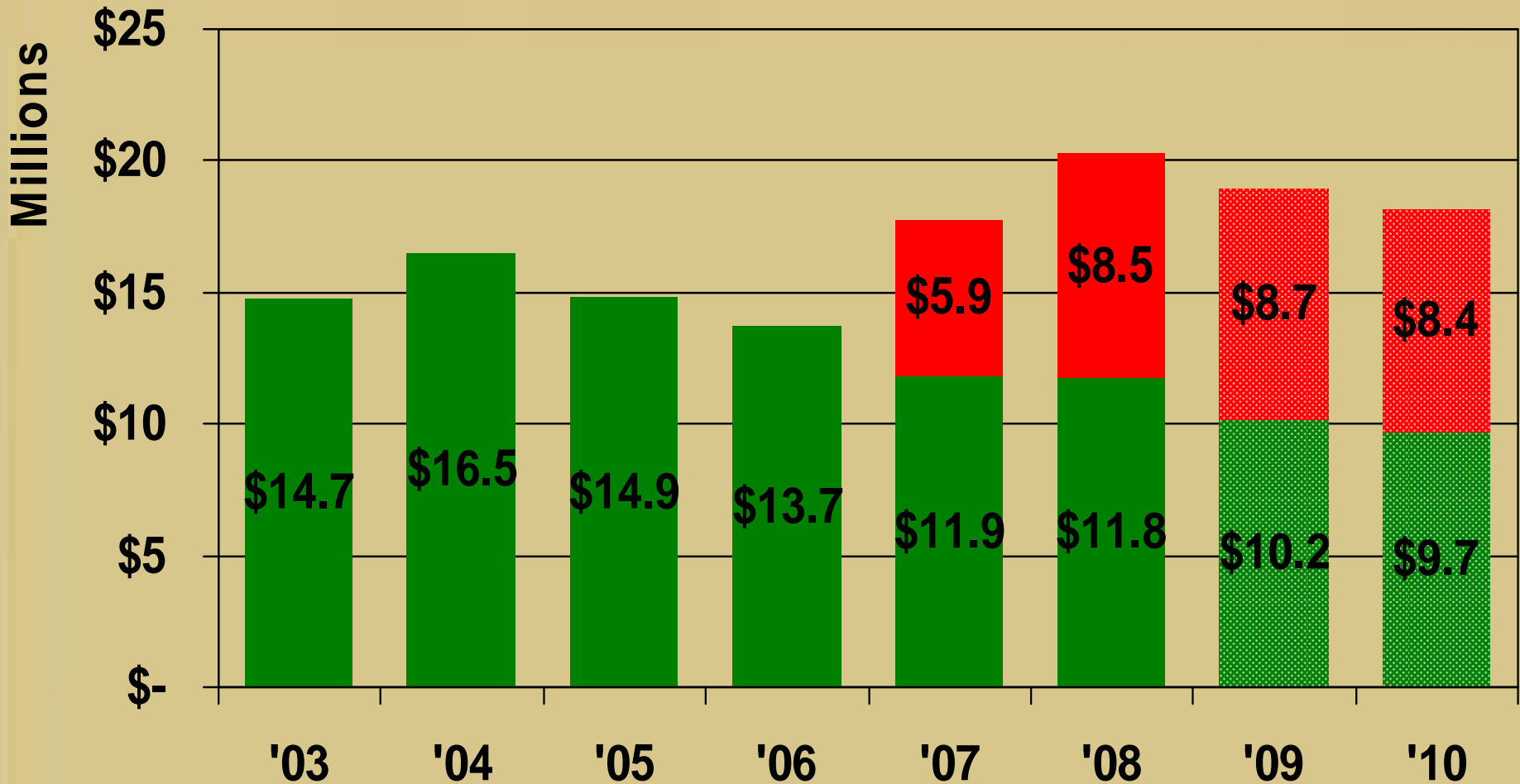
(FY 08/09 Adjusted Budget)

Sales Tax	12.2 million
District Tax	8.6 million
In Lieu of Vehicle License Fees	5.0 million
In Lieu of Sales Tax	4.1 million
Property Tax	3.3 million
Total of Top 5 Revenue	<u>33.2 million</u>

➤ Represents 89% of General Fund

# SALES TAX

## 5 Year History and Projection



# **PROPERTY TAX REVENUE**



# GENERAL FUND – PROPERTY TAXES

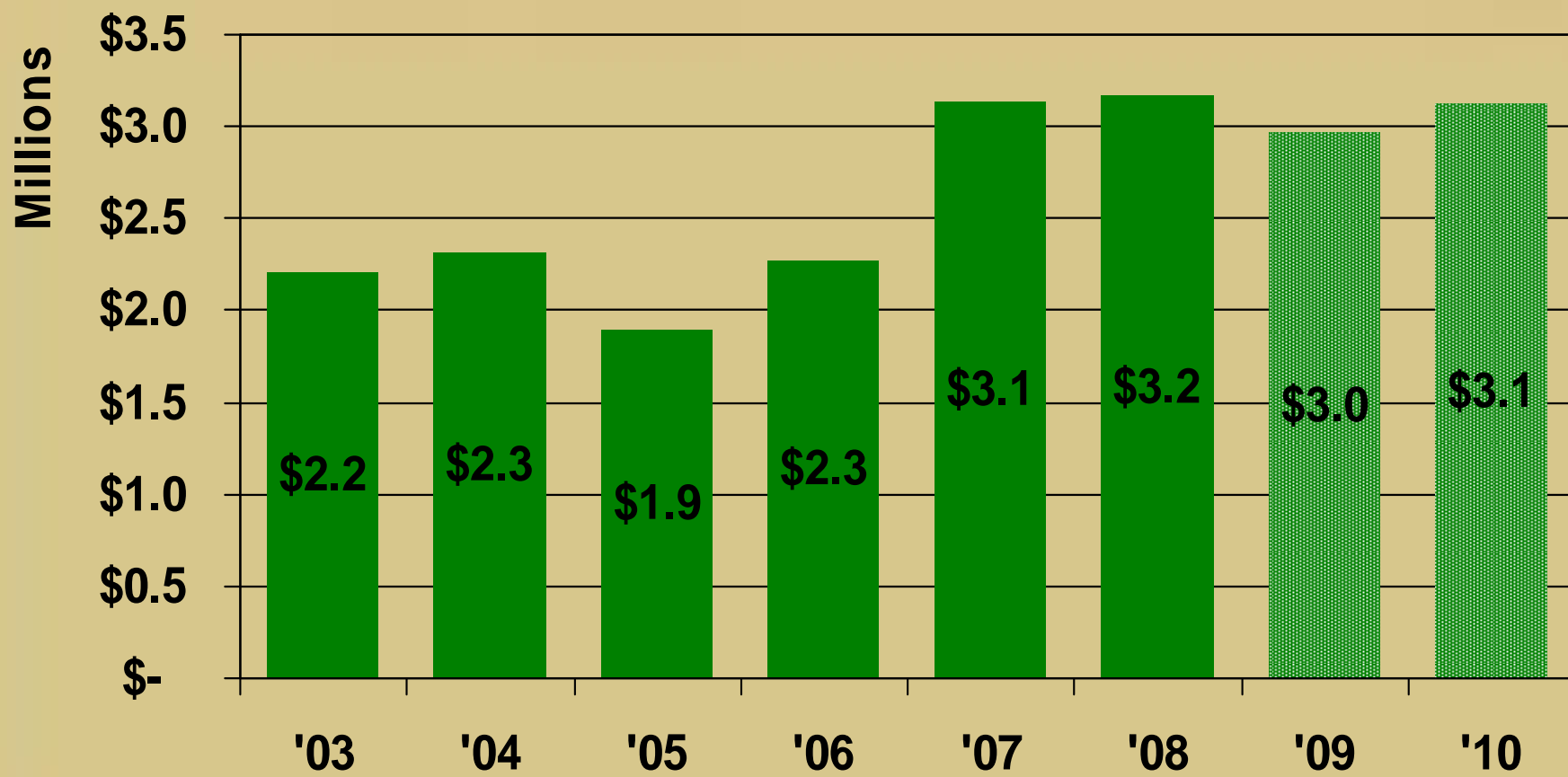
General Fund	T.I. to General Fund	Outside Agencies
5¢	11¢	20¢
	64¢ Tax Increment/Housing	



80¢ Local Control



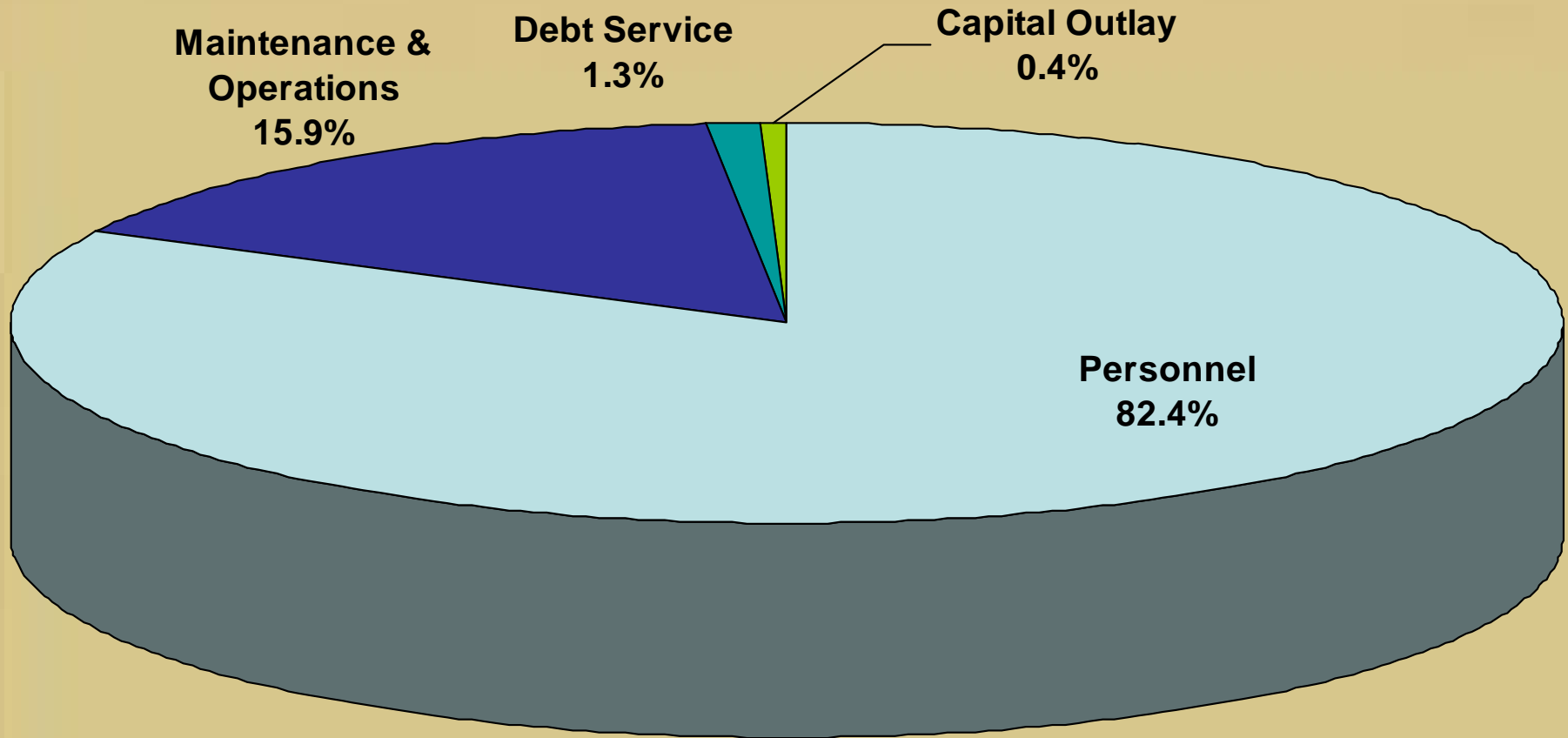
# PROPERTY TAX HISTORY & FORECAST



# **GENERAL FUND EXPENDITURES**

# EXPENDITURES BY TYPE

## FY 08/09 Budget



# **CALPERS RETIREMENT COSTS**

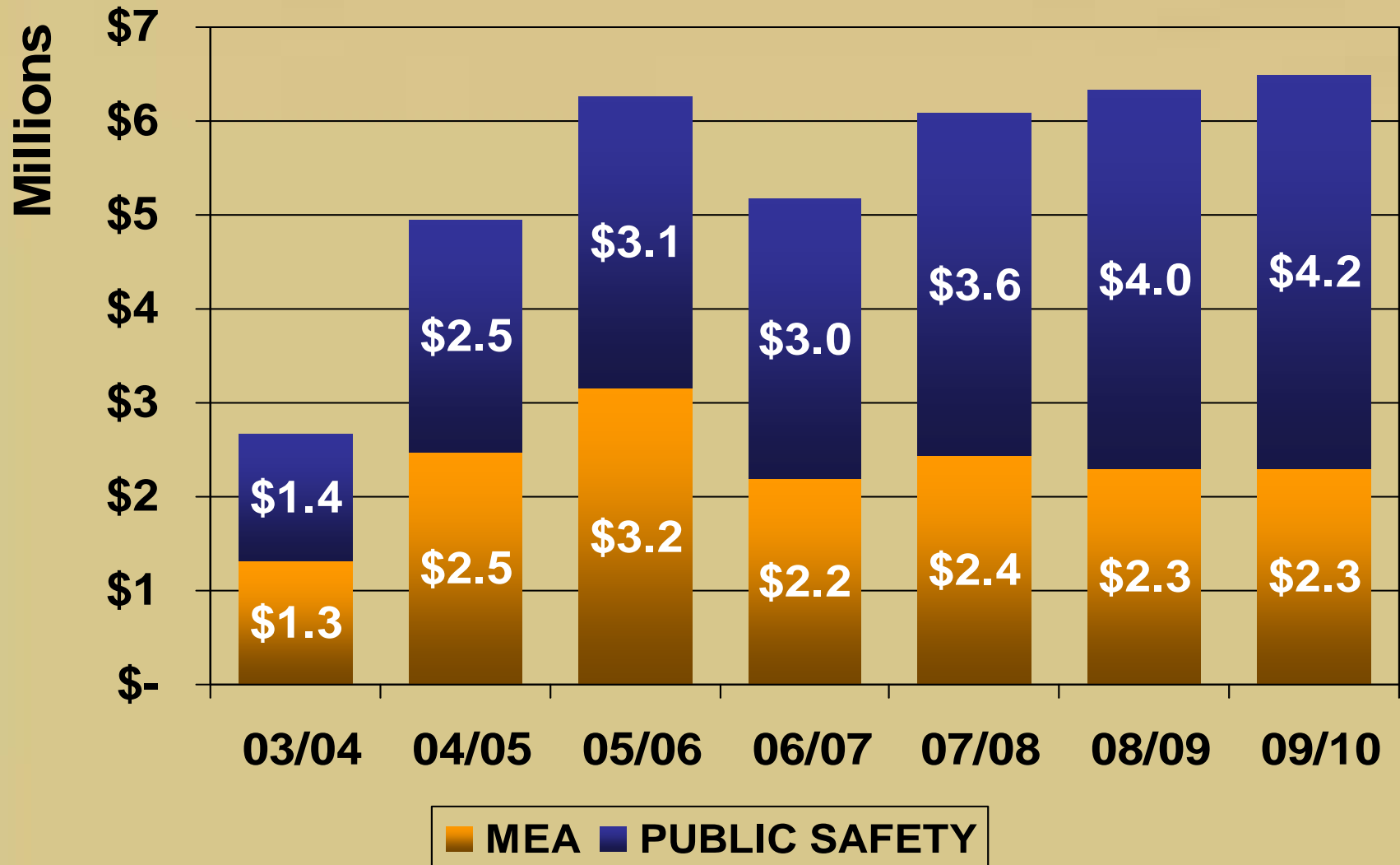
# BACKGROUND

- During FY 07/08, CalPers investment returns were **-5.1%**
- For FY 08/09, CalPers investment returns are **-20%**
- Rate increase will be reflected in FY 11/12

## COST TO CITY

MINIMUM = 2% OF PAYROLL	\$ 500,000
MAXIMUM = 4% OF PAYROLL	\$1,000,000

# PERS EXPENDITURES



# LOCAL CITIES FUNDED RATIO \*

Employer Name	Misc Plan
City of Oceanside	105.3%
City of Poway	92.7 %
<b>City of National City</b>	<b>91.6 %</b>
City of Vista	88.3 %
City of La Mesa	88.0 %
City of Carlsbad	84.0 %
City of Escondido	82.8 %
City of El Cajon	82.2 %
City of Chula Vista	80.9 %
City of Encinitas	74.8 %
City of San Marcos	69.4 %

Employer Name	Safety Plan
City of Oceanside	99.9 %
City of La Mesa	93.2 %
City of Chula Vista	90.9 %
<b>City of National City</b>	<b>88.6 %</b>
City of Carlsbad	86.6 %
City of Escondido	84.8 %
City of El Cajon	83.3 %

\* Source: CalPers. Funded Ratio as of 6/30/06

# MOU's – CALPERS

## % EMPLOYEE PAYS

Agency	Miscellaneous Employee paid	Safety Employee Paid
Vista	8%	8%
Del Mar	8%	5%
Imperial Beach	6%	0%
Encinitas	5%	0%
Solana Beach	2%	2%
Oceanside	2%	0%
National City	2% *	0%
Carlsbad	1%	1%
Escondido	1%	0%
Lemon Grove	1%	0%
Chula Vista	0%	0%

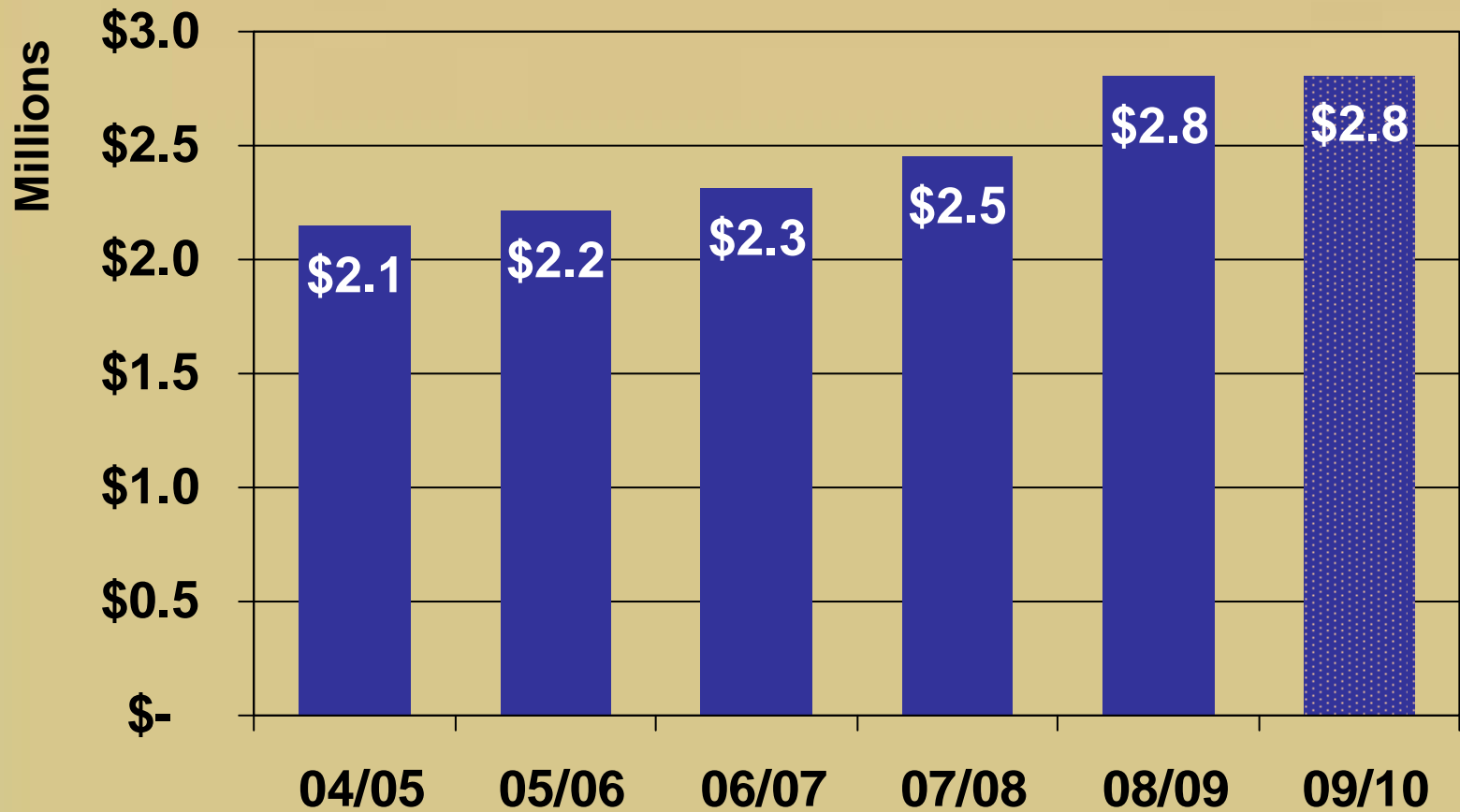
\* Effective 1/1/09



# HEALTH & DENTAL INCREASES

Plan Year	Kaiser	Health Net	Health Net ELECT	Delta Premiere	Delta PMI
2001	12.8%	0%	12%	5.7%	4.1%
2002	10.1%	19.3%	26.7%	3.2%	3.5%
2003	12.3%	12%	12%	8.4%	4.1%
2004	16%	13%	21%	0%	0%
2005	4.6%	6.1%	7.2%	0%	1.2%
2006	13%	6.6%	5%	0%	0%
2007	4.2%	12.8% (Created HN Silver & Gold)		6.15%	0%
2008	14.4%	10.5% (HN Silver)	10.5% (HN Gold)	-4.13%	2%
2009	0%	10.0%	13.2%	0%	0%

# HEALTH CARE COSTS



# COST CONTAINMENT

- Staff have closely monitored expenditures
  - Cost-reduction and Revenue Efficiency (CARE) Committee – Employee Driven
  - Position Review Committee
  - Purchasing Review Committee

# COST CONTAINMENT

Currently 37 vacant positions

3 – City Manager's Office	2 – Library	13 – Police
2 – Community Services	2 – Finance	6 – Community Development
3 – Fire	1 – Human Resources	1 – MIS
2 – Engineering	1 – Public Works	1 – Planning

PROJECTED SAVINGS = \$ 1,084,109

\* As of January 2009

# ENHANCED REVENUE

- Actively seeking Grants
- Revenue from Tax Increment Fund – AB1290
- Increase in Economic Development
  - Plaza Bonita Mall Expansion

# FY 09 STRUCTURAL DEFICIT

- During Mid-Year Review, Council authorized staff to balance the budget with General Fund Contingency Reserve Fund Balance
- After covering the GAP, Contingency Reserve Balance = \$ 7.5 million

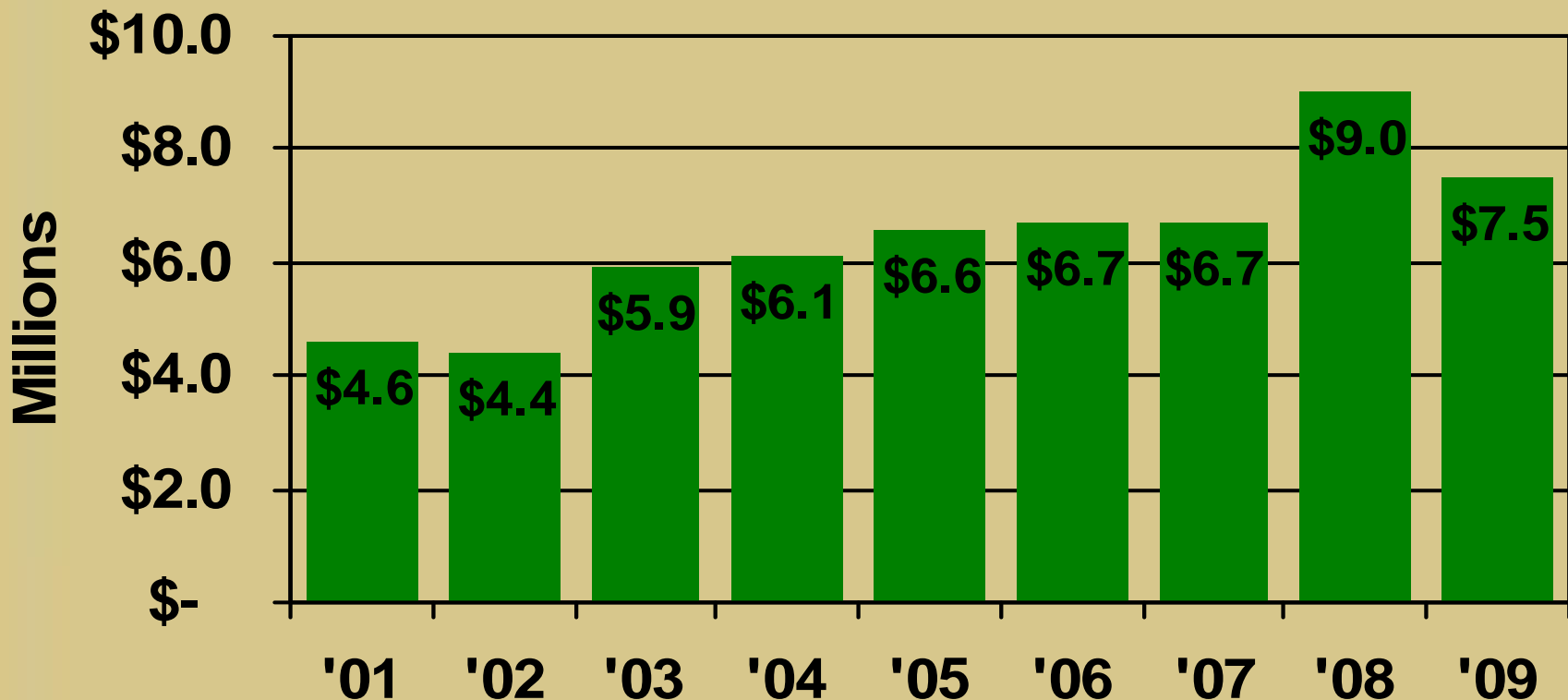
**First time in 5 years reserves have been used  
to balance the budget**

# GENERAL FUND STRUCTURAL DEFICIT

Estimated FY 09 Revenue	\$37,403,981
Estimated FY 09 Expenditures	40,746,991
FY 08-09 Structural Deficit	(3,343,010)
Tax Increment Revenue - AB1290	778,398
Salary Savings	1,084,109
FY 08-09 Structural Deficit	(\$1,480,503)

# RESERVE POLICY

- **Contingency Reserve**
  - General Fund Reserve: 25% - 50% of operating expenditures is current Policy
    - Begin FY09/10 with \$7.5 , which is 19% of current policy





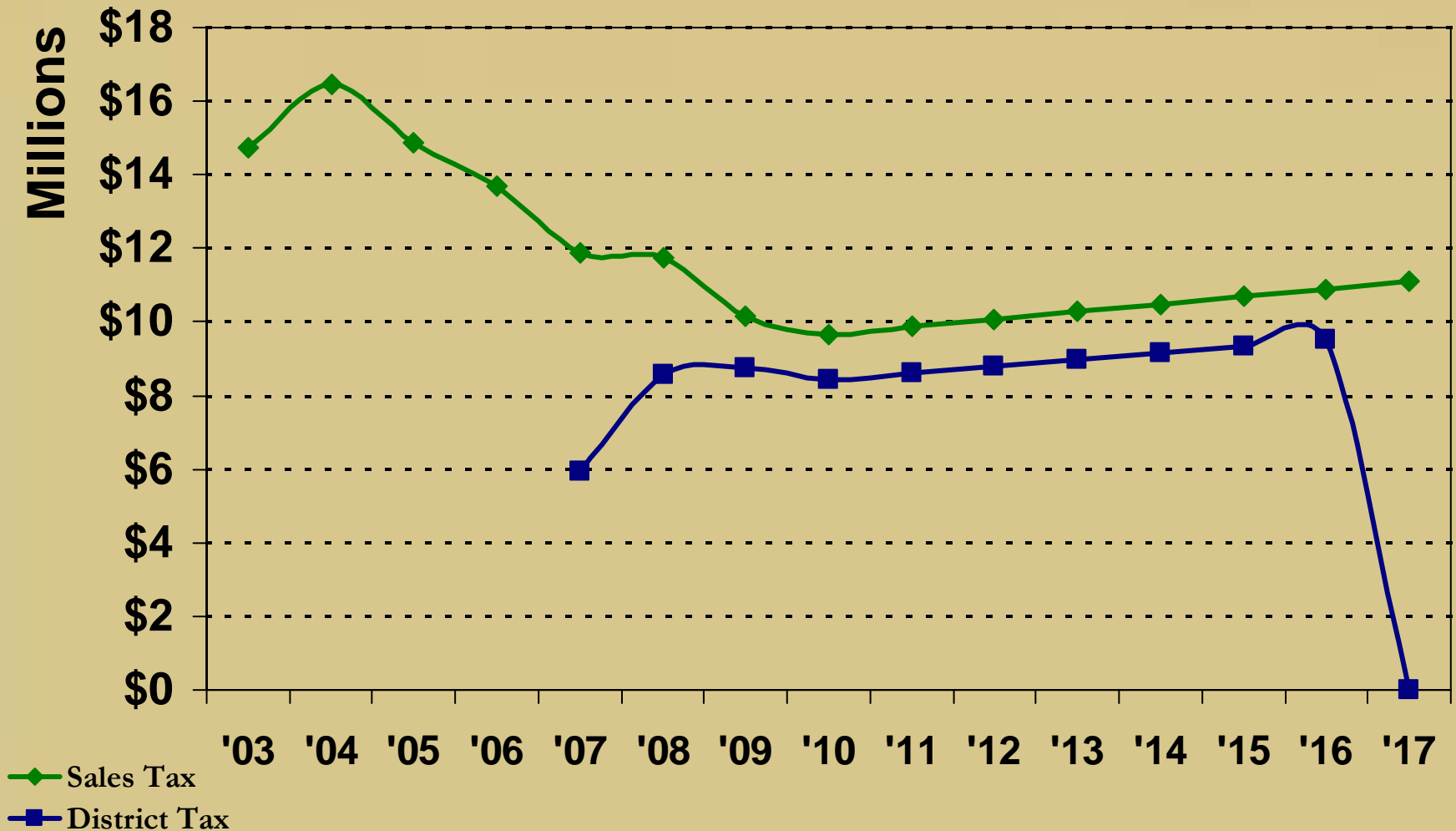
# **GENERAL FUND FINANCIAL TRENDS**

# SALES TAX REVENUE

- Statewide additional 1 cent tax effective 4/1/09
  - Overall cap of 10.25
- City's Bradley Burns Tax (1%) is declining
  - Automobile revenue down 8%
  - Building & Construction down 17%
- District Tax revenue is on target
  - (\$7 to \$9 million)

# GENERAL FUND

## SALES TAX HISTORY & FORECAST



# GENERAL FUND REVENUE FORECAST

Revenue Category	Actual 07-08	Projected 08-09	Forecast		
			09/10	10/11	11/12
Sales Tax	\$11.8	\$10.2	\$9.7	\$9.9	\$10.3
District Tax	8.5	8.6	8.5	8.7	8.8
Property Tax	3.2	3.0	3.1	3.2	3.2
Franchise Fee	1.4	1.5	1.5	1.5	1.6
Transient Occupancy Tax	.9	.9	1.2	1.2	1.2
Other Revenue	13.3	13.2	13.2	13.2	13.2
<b>TOTAL REVENUE</b>	<b>\$39.1</b>	<b>\$37.4</b>	<b>\$37.2</b>	<b>\$37.7</b>	<b>\$38.2</b>

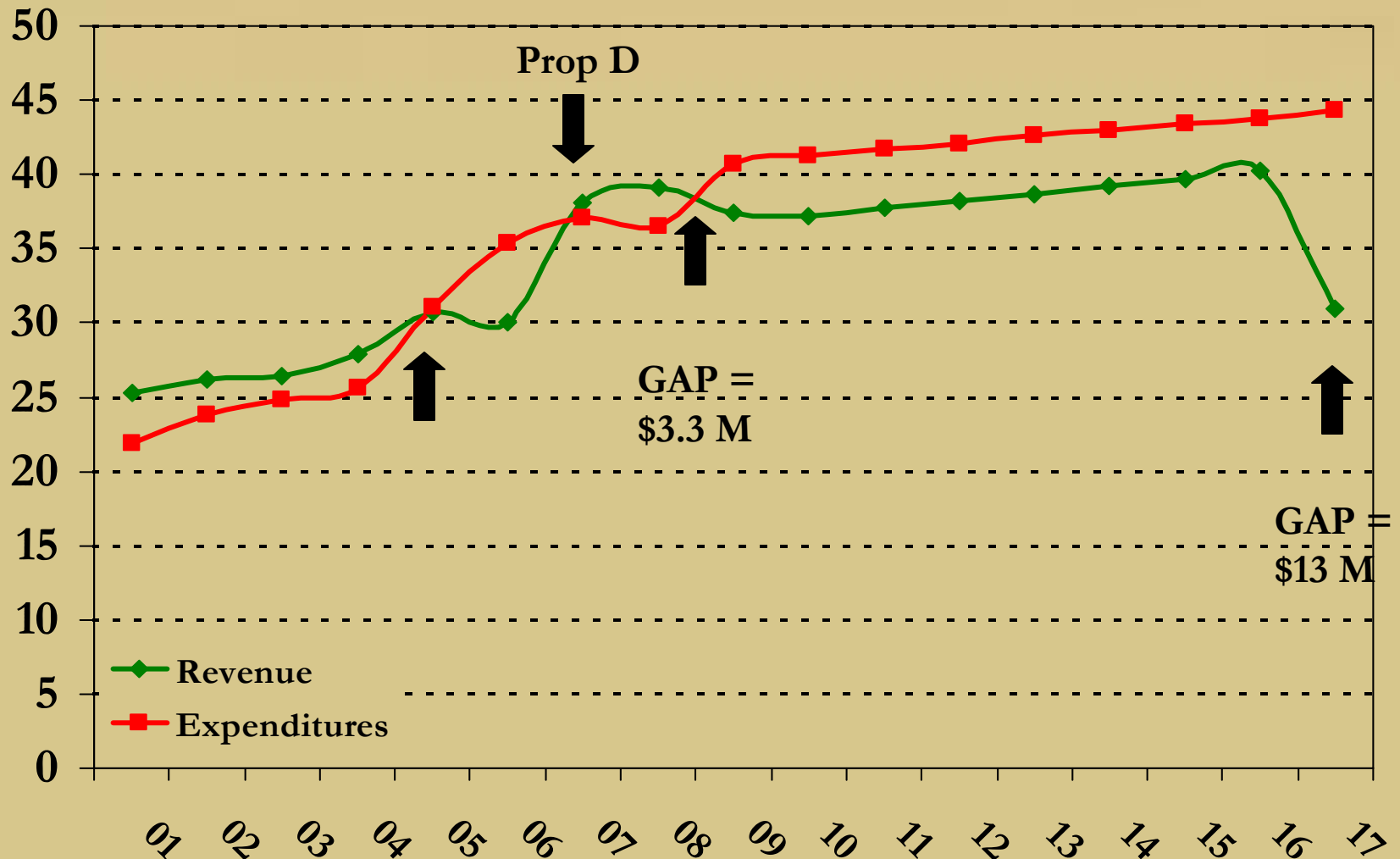
\* Assumes 2% increase in all revenue categories except for other revenue. Other revenue does not factor an increase

# GENERAL FUND REVENUE FORECAST

Revenue	FORECAST				
Category	12/13	13/14	14/15	15/16	16/17
Sales Tax	\$10.3	\$10.5	\$10.7	\$10.9	\$11.1
District Tax	9.0	9.2	9.4	9.6	0.0
Property Tax	3.3	3.4	3.4	3.5	3.6
Franchise Fee	1.6	1.6	1.7	1.7	1.7
Transient Occupancy Tax	1.3	1.3	1.3	1.4	1.4
Other Revenue	13.2	13.2	13.2	13.2	13.2
<b>TOTAL REVENUE</b>	<b>\$38.7</b>	<b>\$39.2</b>	<b>\$39.7</b>	<b>\$40.2</b>	<b>\$31.0</b>

\* Assumes 2% increase in all revenue categories except for other revenue. Other revenue does not factor an increase

# GENERAL FUND REVENUE & EXPENDITURE FORECAST



# LOOKING AHEAD

- Sales Tax Revenue is anticipated to continue to decrease
- State takeaways to balance State Budget
- Continue to seek grants
- Continue to reduce expenditures
- 5%, 10% and 15 % cuts requested by City Manager's office

**Reserves cannot continue to fill the GAP**

# **OTHER SPECIAL REVENUE FUNDS**



# SPECIAL REVENUE FUNDS

Gas Tax Fund ✓ Okay

Proposition A Fund ✓ Okay

Library Fund ✓ Okay

Sewer Service Fund ✓ Okay

Nutrition Center Fund ➤ Approximately \$ 1.4 million  
General Fund obligation due to  
Tax Increment Fund

# **TAX INCREMENT FUND**

# BACKGROUND

- Consists of 1 project area with 7 subareas
- Each subarea receives tax increment revenue and has expiration ranging from 2010 – 2025
- Additional 10 years tax increment revenue to pay debt

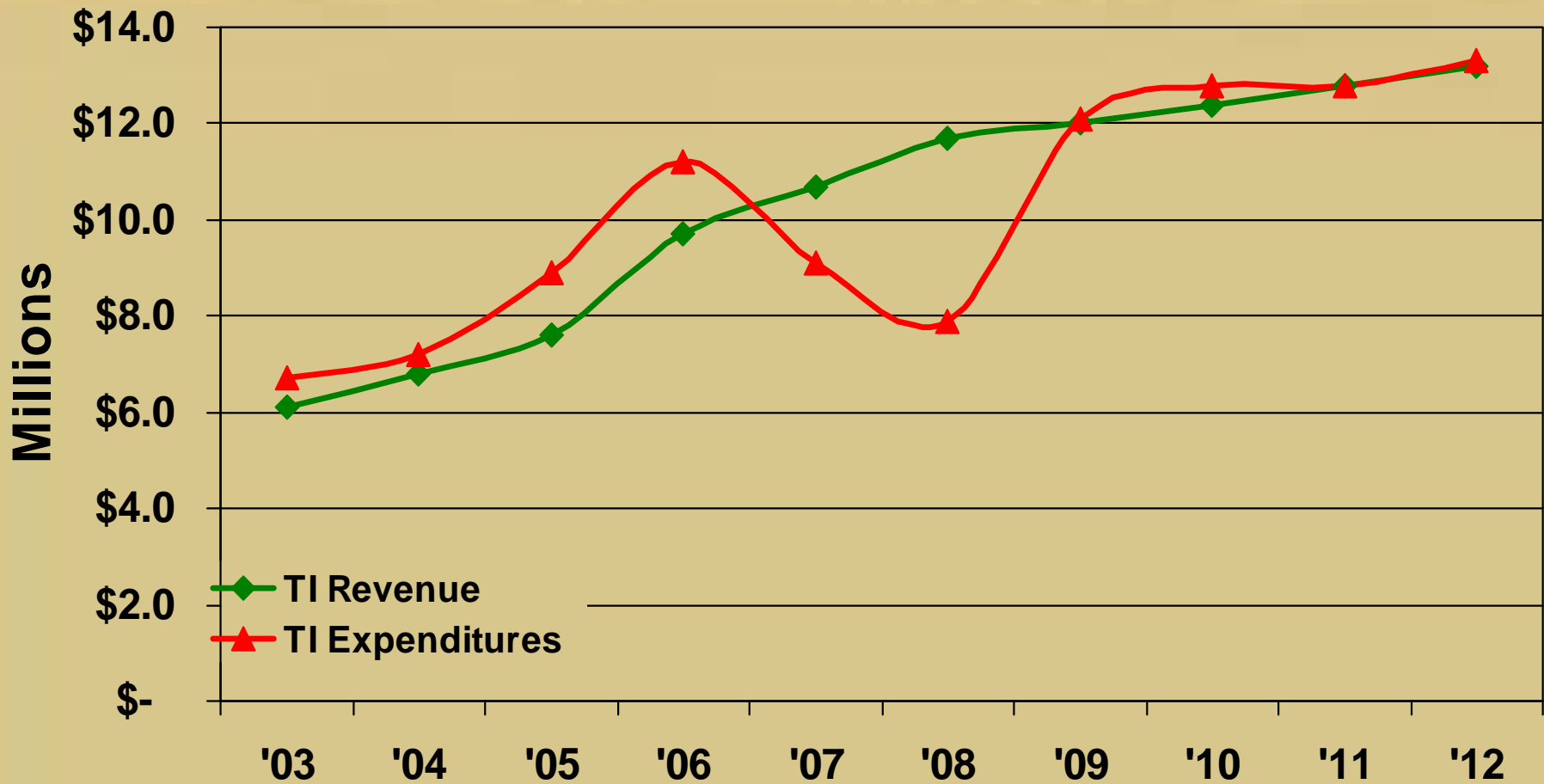
# BACKGROUND

- Tax Increment Revenue is restricted for specific purposes
  - Payment of Debt Service
  - Payment of Statutory Pass Through Payments
  - Payment of Operating Expenses
  - Funding of Capital Projects

# TI REVENUE & EXPENDITURES

	ACTUAL	ESTIMATE	FORECAST		
DESCRIPTION	07/08	08/09	09/10	10/11	11/12
TI Revenue	\$11.7	\$12.0	\$12.4	\$12.8	\$13.2
Expenditures:					
Administration	2.8	5.9	6.2	6.5	6.8
TABs	3.1	3.1	3.2	3.4	4.0
AB1389/1290	.2	.2	1.5	1.5	1.5
ERAF	0	1.0	0	0	0
Pass Through	<u>1.8</u>	<u>1.9</u>	<u>1.9</u>	<u>1.0</u>	<u>1.0</u>
Total Expenditures	7.9	12.1	12.8	12.8	13.3
Difference	\$3.8	(\$ .1)	(\$ .4)	\$0	(\$ .1)

# TIF HISTORY AND PROJECTION



# TAX INCREMENT PROJECTS

- TI Reserves, 6/30/08 = \$ 7.8 million
- More Projects than Available Funds
  - Marina Gateway
  - 8<sup>th</sup> Street Public Improvements
  - Paradise Creek Park & Housing project

# TAX INCREMENT FUNDING

- State Take Aways
  - ERAF payment due May 2009 = \$1,062,028
  - ERAF shift may become permanent
- AB1290 Payments to eligible taxing entities
  - Annual Estimate = \$980,000



# HOW DO WE FUND FUTURE PROJECTS?

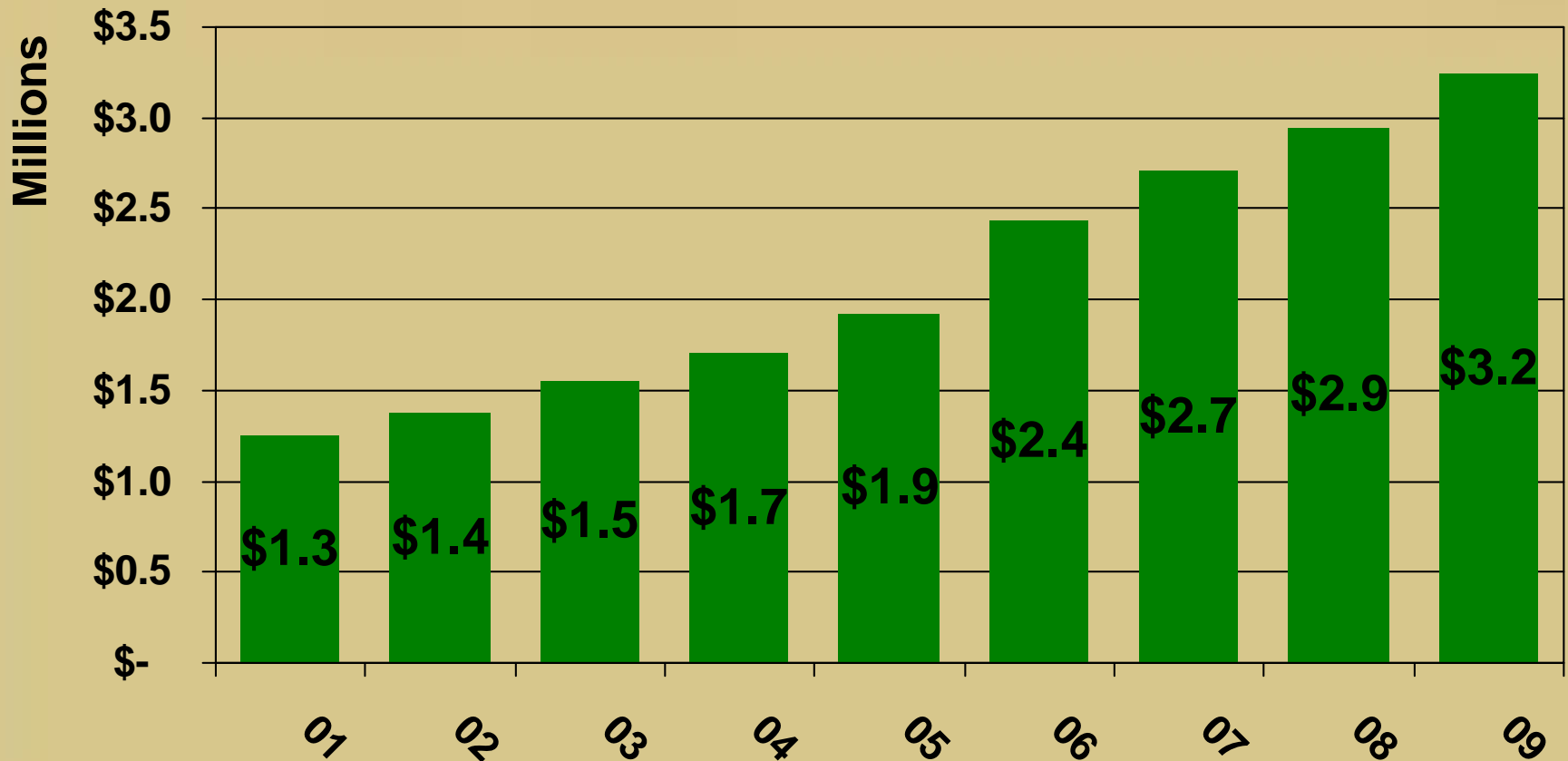
- Needs assessment and capital improvement program
- Prioritization of projects
- Capacity analysis
  - “Pay as you go” financing
  - Borrow to fund projects
- Awareness of Project Area Expiration dates and ability to pay debt

# **LOW AND MODERATE INCOME HOUSING**

# BACKGROUND

- 20% of Tax Increment Revenue must be 'set aside' for Housing
- Purpose is for increasing and improving the community's supply of low and moderate income housing

# LOW & MODERATE INCOME HOUSING REVENUE



# HOUSING PROJECTS

- National City Westside Infill Transit Oriented Development
- Senior Village Expansion
- Rehabilitation Program

# 2009-10 BUDGET CALENDAR



March 21, 2009

Finance & Planning Workshop

May 26, 2009

FY 2009-10 Budget Workshop

June 2 or 16, 2009

Budget Approval

# QUESTIONS

# 15-Minute Break

